

**Stakeholder Comments on:
Analysis of Real-Time Imbalance Energy Offset**

Submitted by	Company	Submitted Date
Michael Kramek (626) 302-7455	Southern California Edison	September 11, 2009

Southern California Edison "SCE" appreciates the opportunity to provide comments on the CAISO issue paper entitled, "Analysis of Real-Time Imbalance Energy Offset", dated August 24, 2009. SCE appreciates the CAISO performing a detailed analysis into the Real-Time Imbalance Energy Offset charge code (6477) values for the month of April 2009. We found this analysis helpful and are in the process of comparing the CAISO's results to our own internal analysis. We note that the early months of MRTU had several problems, many of which have been at least partially addressed, and as a result it may not be appropriate to draw definitive conclusions from market results in these months. SCE would like some additional time to complete our analysis, as well as perform an analysis of more current trade months before providing the CAISO with a definitive position on the potential changes discussed in the issue paper. That being said, SCE supports allocation of "uplift" costs based on cost causation principles. SCE has requested that the CAISO move to an uplift allocation methodology similar to what the Mid West ISO (MISO) implemented to support virtual bidding, which performs multiple market passes (after the fact) to determine proper cost causation and allocation. Costs associated with charge code 6477 should be included in any MISO type uplift allocation methodology.

With respect to the causes of charge code 6477 identified by the CAISO, SCE provides comments on the observations regarding differences between HASP and real-time prices.

HASP and Real-Time Price Deltas

The CAISO's initial findings conclude that the biggest contributor to charge code 6477 is significant differences between HASP and RTD energy prices. In particular, the analysis states that RTD prices are significantly higher than HASP prices and as a result leads to insufficient charges to HASP energy to cover the payments to the imbalance energy in real-time.

SCE views identifying and correcting the factors causing higher, often times unnecessary volatile, real-time prices as the first priority of the CAISO. Only once these causes are identified and improved should the CAISO consider changes to the cost allocation methodology for charge code

6477. SCE acknowledges and appreciates that the CAISO has made several material improvements to its real-time market software and that these improvements have reduced the frequency and magnitude of real-time price volatility. However, SCE believes more improvements need to be made. Some improvements include:

- Dynamic Constraint Relaxation- Consider the magnitude and duration of the constraint violation as well as determining the penalty price based on a function of the SMEC of the previous interval (e.g. 5x SMEC for the first 5min violation, 10x SMEC for the second consecutive 5min violations, etc.).
- Real-Time Price Formulation – Revisit the forward pricing logic which prices future interval re-dispatch costs in the current intervals LMP price.
- Dispatch of Real-Time Ancillary Services – Develop the ability to access energy from A/S in intervals when the CAISO has excess reserves/regulation available as well as procure additional A/S as non-contingency in the real-time market.

In conclusion, we thank the CAISO for its detailed analysis but feel that until the fundamental causes of unnecessary real-time price volatility are addressed and corrected, it is premature to modify the cost allocation approach for charge code 6477.